



Current Trends in Global Trade and Foreign Exchange

Global Trade Solutions Client Webinar

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Strictly Private and Confidential

Agenda

Global Trade Solutions

- Economic Update
- Current Trade Environment
- Global Financial Crisis Impact on Trade
- International Trade Products and Capabilities

Foreign Exchange

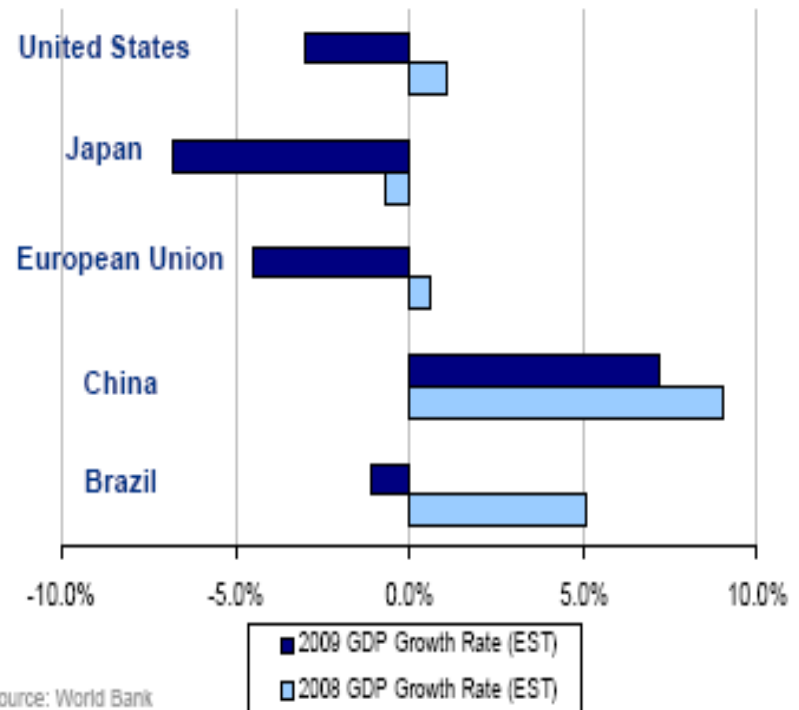
- Introduction
- Current Foreign Exchange (FX) Environment
- How Companies apply FX to their International Business
- SunTrust's Currency Risk Management Capabilities

Economic Update

Macroeconomic Trends: GDP

- Leading Indicators, such as GDP, for major economies have plunged during the economic crisis
 - Real global growth slowed to 1.7%, compared to 3.5% in 2007, and is expected to fall 1-2% in 2009
- The impact of declining world production has been magnified in trade
- Nevertheless, more recently, various economic signs indicate that the recession is slowing with several countries moving into recovery phase

Real GDP Growth Rates 2008 vs 2009



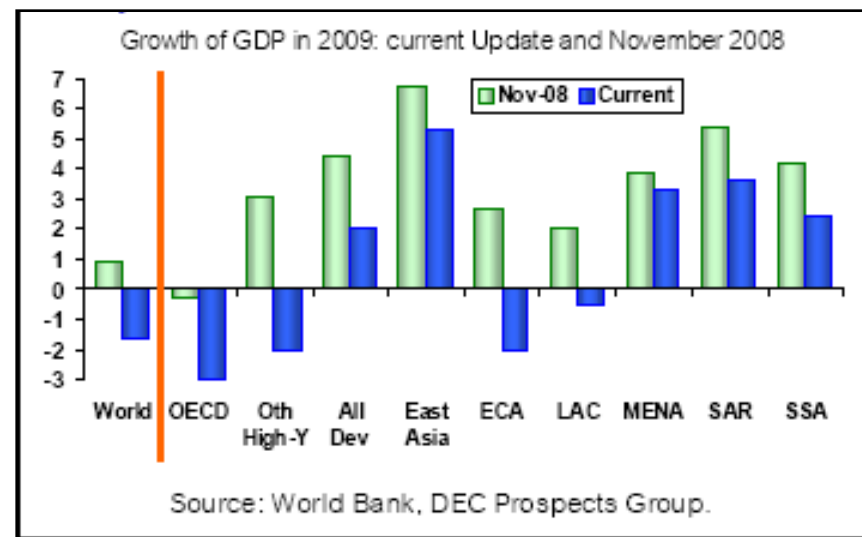
The Current Trade Environment

- The WTO anticipates that global trade volumes will plunge 9%, the most since World War II
- Global GDP is expected to contract by 1.7 percent in 2009, which would be the first decline in world output on record (figures 1.a and 1.b). This marks a substantial 2.6 point deterioration from earlier GEP forecasts.

Figure 1a: The 2009 downturn in world GDP and trade is unprecedented



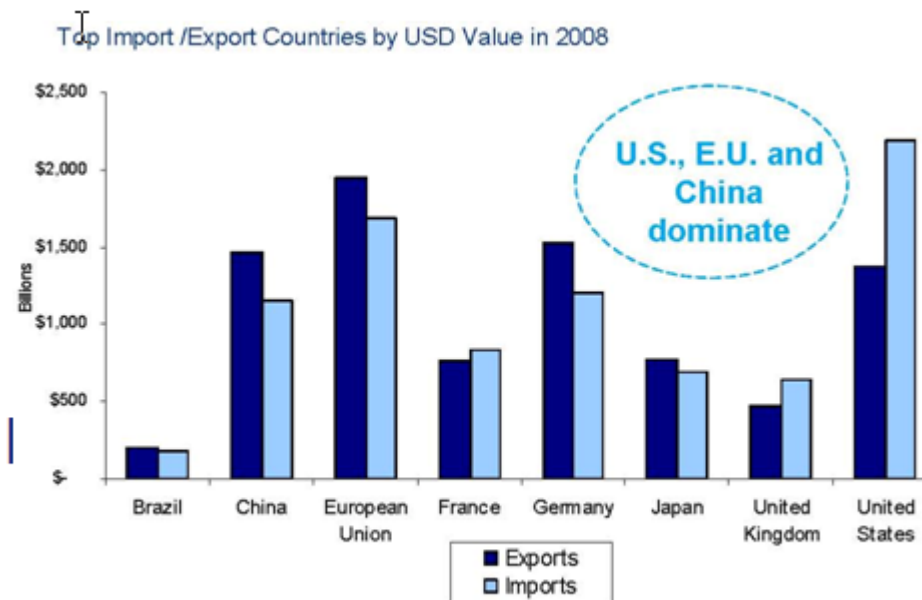
Figure 1b: Global growth cut by 2.6 points vs. November 2008 forecasts



The Current Trade Environment

International Trade has grown over the past ten years, although this growth has been disrupted by the economic crisis

- The severity of the global downturn and the fall in demand for manufactured goods is indicated by a drop in international shipping
- As of September 2008, exports and imports of major developed and developing economies fell sharply. Japan, for example, experienced a fall in exports of over 30% during the first five months of 2009
- Trade prospects for 2009 continue to be exacerbated by credit shortages to finance imports and exports, faltering demand and falling production
- The E.U., U.S. and Asia continue to dominate the Trade environment in terms of growth regions



Source: CIA World Factbook

The Global Financial Crisis Impact on Trade

Trade Growth within Asia

- Intra-regional trade within Asia has grown at a faster rate than global inter-regional flows
- 39% of Asia's trade is within the region, predominantly between China, Hong Kong, India, Japan and Korea
- Growth in Asian intra-region flows has been driven by changes in the supply chain, increased consumer demand and economic growth
- Firms are diversifying their supplier base to multiply lower cost countries in the same region; the resulting new flows are typically directed toward SME clients

Absolute Trade Volumes Full Year 2008

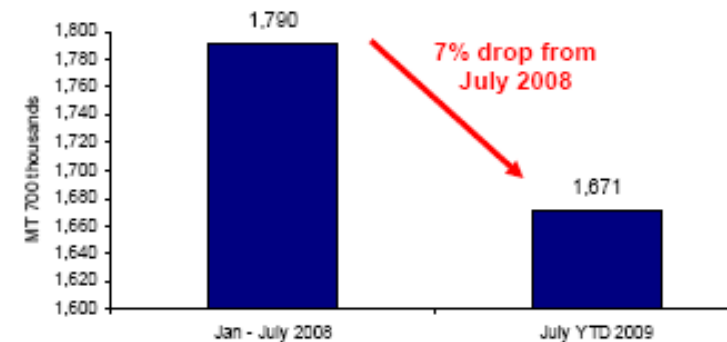
	2008									
Exporter/Importer	Africa	Asia	Aus/NZ	CEE	EU	Japan	Latam	ME	NA	
Africa	9%	15%	1%	2%	38%	4%	5%	2%	24%	
Asia	2%	39%	2%	5%	20%	8%	4%	4%	16%	
Aus/NZ	2%	46%	7%	1%	16%	20%	2%	4%	7%	
CEE	0%	2%	0%	0%	92%	1%	0%	0%	4%	
EU	2%	5%	1%	11%	89%	1%	2%	2%	7%	
Japan	1%	45%	3%	4%	18%	0%	5%	4%	20%	
Latam	2%	11%	0%	2%	18%	3%	21%	1%	42%	
ME	4%	33%	1%	2%	19%	19%	1%	10%	12%	
NA	1%	13%	2%	2%	24%	4%	17%	3%	34%	

Source: International Monetary Fund (IMF) – Direction of Trade Statistics Online (DOTS)

Impact of the Economic Crisis

- Trade flows in the region have been negatively impacted by the global economic crisis:
 - Major exporters in the U.S. and Europe have been forced to cut output and reduce jobs to counter collapsing demand affecting trade flows with Asia

SWIFT Trade Volumes for Asia Jan-July 2008 vs July YTD 2009



Source: SWIFT MT700 Traffic Watch

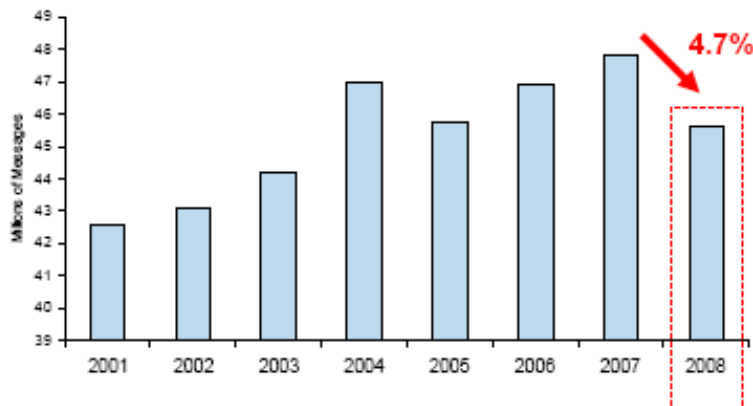
- However recent signs seem to indicate that global trade flows in the region are bottoming out after plunging steeply in the early months of the year
- Similarly, some Asian countries are moving into a recovery phase

The Global Financial Crisis Impact on Trade

The majority of world economies are impacted by the economic recession, resulting in a drop in global trade and letter of credit volumes

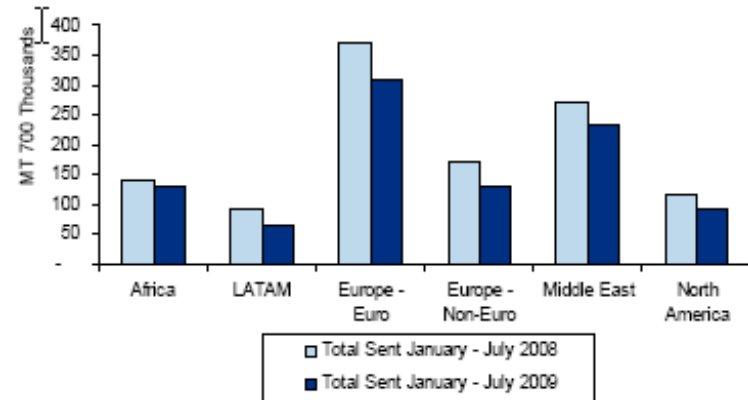
- SWIFT's FIN message traffic for trade, which combines all category four and seven message types, rose gradually from 2001, reaching a peak in 2007
- However due to the economic crisis full-year 2008 messaging traffic fell by 4.7%, from 47.8 million to 45.6 million messages
- Letters of credit MT 700s fell by 12.9% last year, although the value of LCs may have increased in some cases

SWIFT Trade Volumes Full Year 2001 – 2008
Includes category four and seven message types



Source: SWIFT Traffic Watch MT7XX, MT4XX messages

SWIFT MT 700 Trade Volumes by Region Jan-July 2008 vs July YTD 2009



Source: SWIFT MT700 Traffic Watch

- The decline in letter of credit volumes is a global phenomenon. In terms of LCs sent, all regions experienced declines for the first six months of 2009.
- Declines occurred despite speculation that LCs would increase in volume as a result of concerns with counterparty and country risks
- During the crisis pricing on trade-related risks has increased dramatically

The Global Financial Crisis Impact on Trade

U.S. Trade Sector Categorization

Favored Sector	Marginal Sector	Decline to Quote
Advertising	Agriculture	Automotive
Animal Feed	Dairy Products	Ceramics
Education	Electrical Machinery	Construction Materials
Pharmaceuticals	Engineering	Chemicals & Rubber
Scientific Instruments	Food & Beverage	Clothing & Apparel
Tobacco	Healthcare	Footwear
	Iron & Steel	Furniture
	Services	Packaging & Paper
	Telecom	Textiles
	Metal Manufacturing	Timber

Source: Atradius Insurance

The Global Financial Crisis Impact on Trade

The Reach of Trade

- Traditional markets in Western developed countries attract the most attention
 - Canada Western Europe Asia, Apart from China China
- For export trade, the following markets have seen less demand for trade
 - Eastern Europe Latin America South Asia
- For import sales, different regions received more emphasis:
 - China Canada Other Asian Countries



Products of Choice

- Open Account
- Letters of credit and documentary collections
- Structured trade financing

What are Clients Doing?

- Less use of letters of credit
- Use of open account decreased somewhat
- Cash-in-advance and advance payment methods given closer look

Changing Preferences and influencing factors

- Looking to global markets as a profit growth driver to diversify revenue stream and/or lower costs
- Looking for a bank partner that understands the risk of doing business globally and has the tools and capacity to support them
- Positioning themselves to emerge from downturn stronger and more competitive to take advantage of post-recession global economic expansion



International Trade Products & Capabilities

Payables/Receivables Solutions

Payables/Receivables

- Trade/Commercial Letters of Credit (Import and Export)
- Documentary Collections (Incoming, Outgoing, and Direct)
- Standby Letters of Credit
- Online Trade Services (OTS), an internet-based system that allows clients to manage and process their letters of credit and documentary collections

SunTrust Target Clients

- Business clients and prospects who are exporting or importing

Financing/Liquidity Management Solutions

Export Working Capital Finance

- The Small Business Administration (“SBA”) & Export-Import Bank (“Ex-Im Bank”) export working capital programs
- SBA Preferred Lender & Ex-Im Bank Delegated Authority Lender
- SunTrust uses guarantees (50%-90%)
- Increases ability to fund more loan requests

SunTrust Target Clients

- Business clients and prospects who are exporting and need working capital
- Satisfactory credit history
- For clients who may be affected by:
 - Higher risk industry
 - Length of time in business
 - Weaker financial history

Risk Mitigation Solutions

Insured Foreign Receivables Financing

- The Export-Import Bank (“Ex-Im Bank”) and private companies insure SunTrust business clients’ foreign accounts receivable
- Insure against commercial and political risks
- SunTrust extends credit making financing available to existing and potential clients

SunTrust Target Clients

- Business clients who are exporting
- Business clients who want to increase borrowing capacity to enhance cash flow
- Satisfactory credit history
- Benefits for clients:
 - Include foreign receivables in borrowing base
 - Provide open account terms to foreign buyers
 - Non-payment risk mitigated on open account sales

Treasury & Payment Solutions

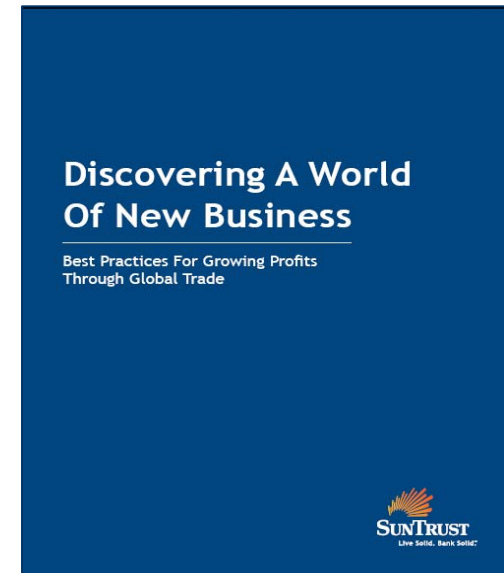
- Online Treasury Manager
- Global cash management and reporting solutions
- International and Foreign Exchange Wires
- Cross Border ACH Transactions
- Multi-bank reporting
- Global payments

Discovering a World of New Business

Best Practices For Growing Profits Through Global Trade

Our Globalization Report can:

- Help SunTrust clients and prospects assess whether sourcing or selling globally can help increase the economic value of their business
- Help clients and prospects determine what steps to take to enter or expand in the global marketplace
- Offer practical ways companies can manage the risks of doing business internationally
- Creates a rationale for a setting up a client call or contacting a trade specialist
- You can order a copy of the report by calling 877.777.8142 or by visiting www.bizsolutionscentral.com





Foreign Exchange (FX): Trends, International Opportunities & Currency Risk Management



Current Foreign Exchange (FX) Environment

Foreign Exchange Overview

FX Market Characteristics

- Foreign Exchange Market is a high-volume, deep, liquid market in which participants trade one currency for the other for immediate or future settlement
- The market is active globally 24 hours a day, weekends excluded
- Average daily FX turnover is greater than \$3.2 trillion
- FX volume on electronic platforms increased 21% between 2006 and 2007
- Market participants include Investment & Commercial Banks, Corporations, Institutional Investors, Hedge Funds, Retail Brokers, Money Service Businesses, and Central Banks

Sources: Bank of International Settlements, Euromoney, Fed Triennial Survey (2007)

The USD & Financial Markets During the Credit Crunch

The US Dollar Index

A broad measure of the currency's value as related to a basket of currencies that includes the Euro, Swiss Franc, Canadian Dollar, British Pound, Japanese Yen and Swedish Krona.

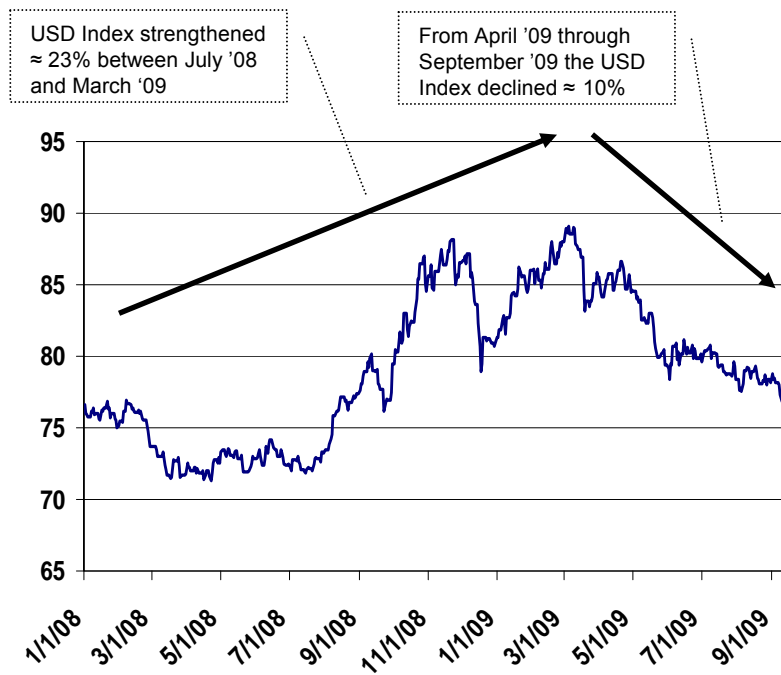
Mid-'08 through Q1 '09: Turmoil Boosts Dollar's Appeal

- In light of widespread turbulence in financial markets and a focus on risk aversion, investors moved funds back into Dollar-denominated assets, such as US Treasuries, in search of safety

2nd Quarter '09: Positive Economic Data Hits Dollar

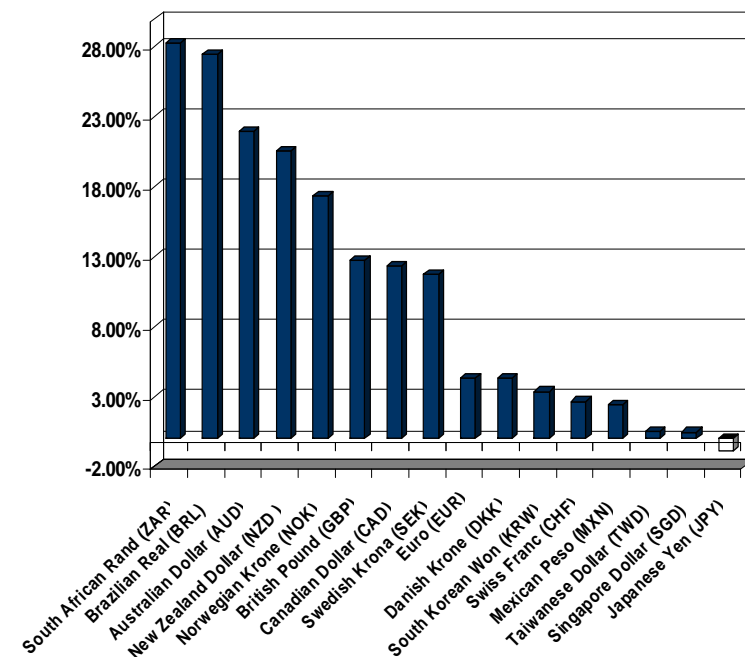
- As signs of an economic recovery took hold and markets began to stabilize, the Dollar Index fell as investors traded into higher yielding assets like equities, commodities and non-Dollar currencies

USD Index: January 1st, 2008 to September 15th, 2009



*Source: Bloomberg

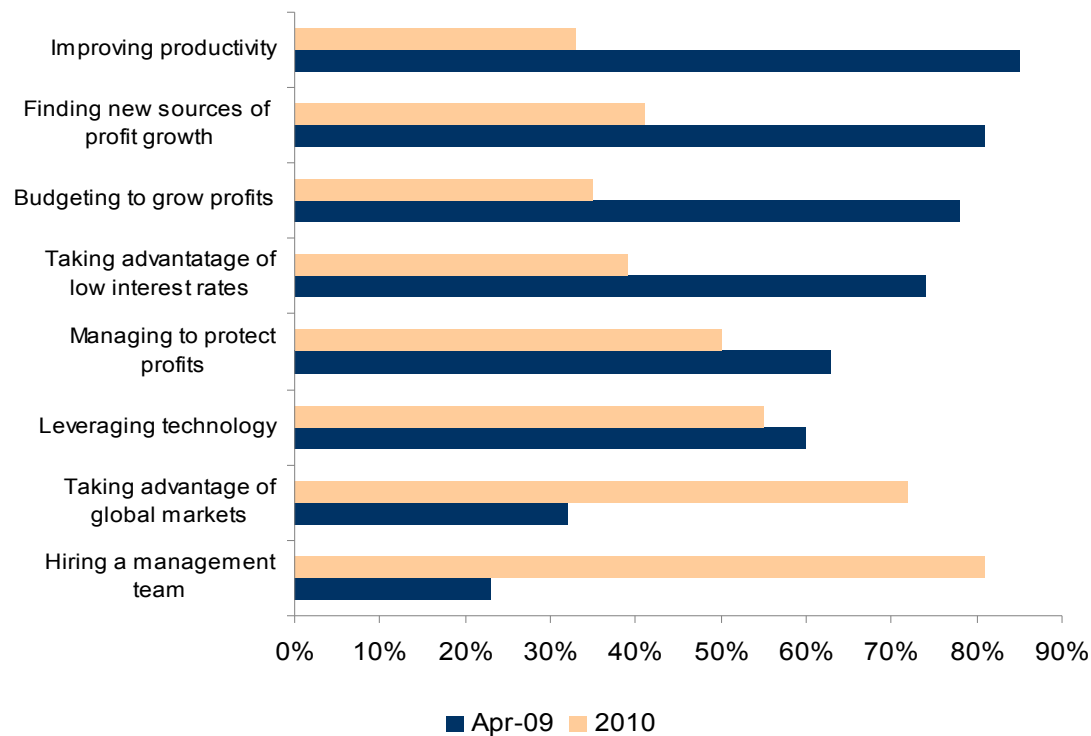
Performance of 16 Most-Actively Traded Currencies vs. USD



International Markets

- 32% of SunTrust customer respondents were currently focused on growing globally
- More than two-thirds of SunTrust business customers surveyed see global markets as one of their best growth opportunities over the next 12 months
- Recent surveys point to a global focus – either current or planned – among a majority of SunTrust clients

SunTrust Survey of 384 Business Owners, April 2009



Market Environment

Market Activity According to Central Banks

Central Bank Foreign Exchange Survey Summary

Central Bank Foreign Exchange Survey Summary		
	Total	Total Month
Reporting Organization &	Monthly	Volume (y/y)
Additional Pertinent Information	Volume	Change
Foreign Exchange Committee NY Fed (US Federal Reserve) • Spot (-25%), Forwards (-22%), FX Swaps (-27%), OTC Options (-48%)	\$11,591 Bln	-26%
Tokyo Foreign Exchange Market Committee (Bank of Japan)	\$2,542 Bln	-16%
The Foreign Exchange Joint Committee (Bank of England)	\$27,120 Bln	-33%
The Canadian Foreign Exchange Committee (Bank of Canada)	\$1,231 Bln	-16%
The Singapore Foreign Exchange Market Committee (Monetary Authority of Singapore)	\$4,812 Bln	-27%

Volumes include Spot transactions, Outright Forwards, FX Swaps, Currency Swaps, and Options.

<http://www.newyork.fed.org/fxc/volumesurvey/> , http://www.fxcomtky.com/survey/index_e.html, <http://www.bankofengland.co.uk/markets/forex/fxjsc/#surveys>, http://www.cfec.ca/afx_volume.html, <http://www.sfemc.org/statistics.asp>



How Companies Apply FX to their International Business

Impact & Opportunity of FX

The following questions can help to assess how FX impacts your business and how it can play a role in its growth.

Existing FX Activity

- Do you import or export? If so, from where?
- Do you pay/receive funds for goods or services overseas?
- Do you have foreign assets, liabilities or operations?
- How do you currently send or receive cross-border payments?
- Do you purchase equipment (ex. Cap Ex) or pay vendors internationally?
- If active in foreign currencies, are you hedging FX exposure?
- How do you invest cash held at foreign affiliates?
- How do you finance local operations? (local debt, intercompany loans, synthetic debt)

Potential for FX

- Do you sell internationally in USD?
- Does your competition sell, or plan to sell, in your client's functional currency?
- How do you negotiate price and in what currency?
- Could you gain a competitive advantage by selling in your client's currency?
- Could you increase your margins by selling in your client's currency, i.e. implicitly charge them for handling the FX?
- What are your plans for global expansion?
- Are you considering expansion of your business through foreign acquisitions?
- How will the fluctuating value of the Dollar affect your business, pricing agreements & terms, competitive landscape?

Company-Specific Developments in the FX Market

The impact of Foreign Exchange on many companies' financial performance has increased and has forced a renewed focus on FX risk.

Rethinking FX Risk

- Over the last 12 months, the impact of volatile currency markets, unrealized forecasts, and counterparty risks have redefined the way many corporations are viewing and managing their FX exposures
- The changing value of the USD over the past year has materially impacted corporate earnings, causing companies to reassess the management of FX risk. If risk can be identified, it is typically being proactively managed.
- In particular, more clients are using option structures to hedge income statement exposures and using forwards/swaps to hedge balance sheet exposures
- Out of 575 companies who reported earnings in early 2009, 33% stated currency fluctuations affected profits, up from 20% the previous year
- Also reported in early 2009, S&P 500 companies now realize 49% of their sales from outside the US, up from 30% in 2001
- McDonalds' reported Q4 profit dropped 23% due to the stronger dollar. Yahoo, J&J, and Google all blamed FX as a factor in lower results
- Multinationals like Coca-Cola, Procter & Gamble and Phillip Morris cited dollar variability hurting net & international sales, operating income, earnings, etc.
- Companies are becoming more sensitive to these movements as they try to mitigate risk in a challenging operating environment

Company-Specific Developments in the FX Market

In recent months, significant changes in the FX markets have forced internationally-active companies to proactively address certain areas.

FX Hedge Program Evaluation

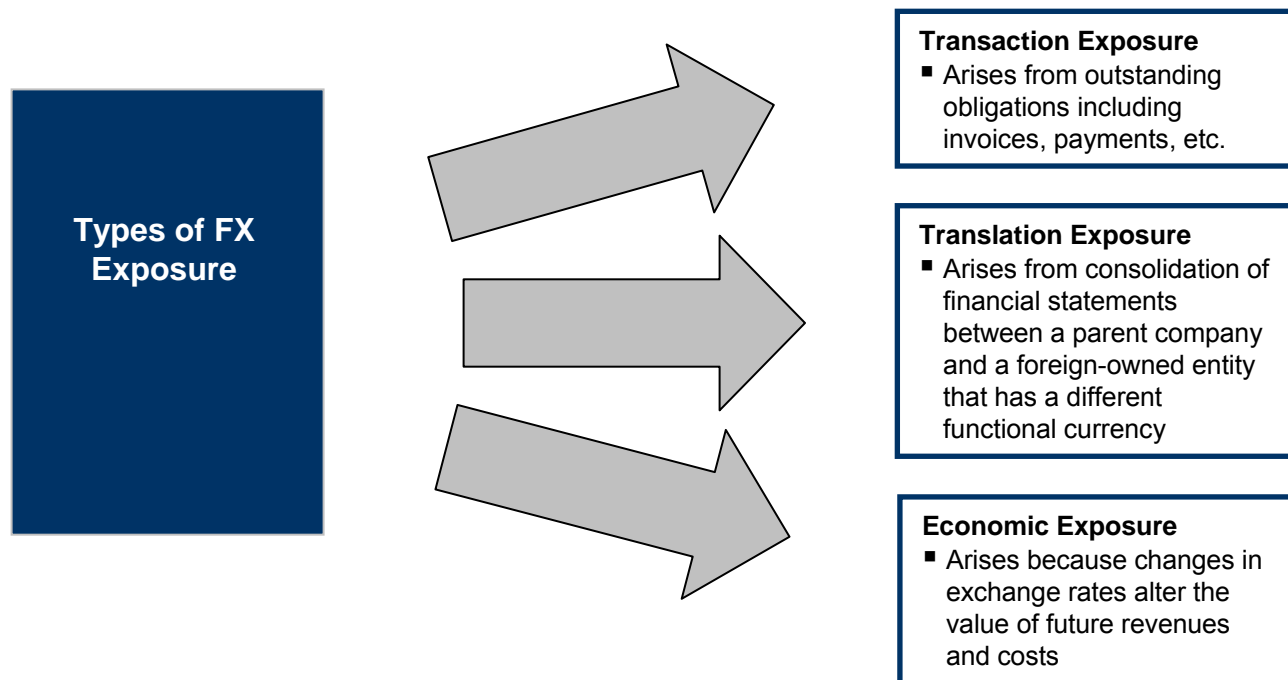
- Foreign Exchange rate variability is compelling companies to consider more option-based hedges
- Companies are seeking downside protection while maintaining flexibility to modify contracts (pricing changes, rebates, etc.) or benefit from favorable currency moves
- Many option products satisfy hedge accounting guidelines
- Interest is growing in analysis that compares the effect of different hedging strategies (forwards, vanilla options, collars, participators, etc.)

Mitigating Emerging Market Risk

- Even if trading internationally in USD, a company may be exposed to exchange rate risks
- Companies can hedge these risks with “Non-Deliverable Forwards (NDF’s)”, which provide financial protection against emerging market currency risk but are settled in USD
- This may be applicable to hedging Emerging Market exposure if your company has expenses or makes purchases in regions like Asia (China, Philippines, India, etc.) and South America (Brazil, Argentina, Colombia, etc.)

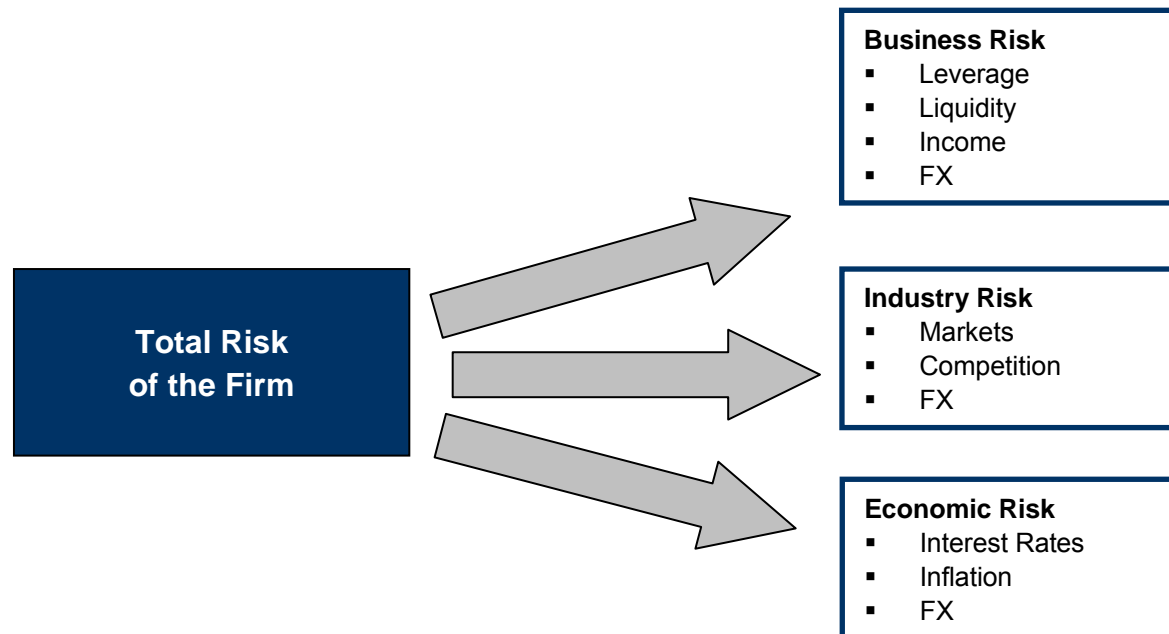
FX Risk & Hedging

- What is FX Risk?
- FX risk is the exposure to unpredictable fluctuations or adverse movements in the level of foreign exchange rates.
- Companies involved in international business may have foreign exchange exposure related to payables, receivables, firm commitments, assets, liabilities, forecasted transactions, net investments and earnings repatriation.



Risk Factors

FX Impacts All Areas of a Company



Key Components of a Risk Management Program

A comprehensive risk management program consists of 5 main components.



- Only after risk tolerance, hedge strategy, and controls have been implemented, should a company consider executing hedge transactions
- Risk measures and hedge strategy effectiveness may evolve over time and require adjustments based on country or asset-specific factors

FX Risk & Hedging

Managing Risk

Benefits to Hedging

- Predictability of cash flows or valuation of asset/liability positions
- Protect or outperform budgeted exchange rates
- Maintain competitiveness by reducing the impact of negative currency fluctuations
- Enables a company to focus on core business and reduce earnings volatility
- Provides management more certainty on hedged exposures
- Matching Assets & Liabilities and cash flows in the same currency

FX Hedging Strategies

- Outright Forward Contracts & Non-Deliverable Forwards
- Vanilla options
- “Flexible” structured hedges (Participating Forwards, Collars)
- “Improved-rate” structured hedges (Ratio Forwards, Range-Reset Forwards)
- Average-rate options
- Short-dated FX Swaps
- Longer-dated Cross Currency Swaps



SunTrust's Currency Risk Management Capabilities

FX Partner Qualifications

Your FX partner should offer a wide variety of services, strategies and products, not limited to but including:

For
Consideration

- Access to market information
- Consistent “push” and “pull” market updates pertinent to the client’s currency exposures
- Spot & Forward execution capabilities
- Alternative hedging strategies, including options and structured hedges
- Pro-active source of ideas to optimize risk management and operations related to FX
- Non-USD lending and interest rate management capabilities
- Online system for wiring, trade execution and funds management
- Foreign currency accounts
- Foreign currency investments

SunTrust Currency Risk Management

SunTrust is a comprehensive provider of currency risk management products and services. We take a value-added approach to enable our clients to mitigate the risks associated with global currency exposure. SunTrust: your Currency Risk Management Partner.

Foreign Exchange

- Spot & Forward Contracts
- Non-Deliverable Forward Contracts
- Vanilla Options (Puts, Calls, Collars)
- Exotic Options (Barrier, Participators)
- FX Swaps
- Cross Currency Swaps
- Structured Products
- Online Foreign Exchange
- Foreign Currency Accounts
- Time Deposits

Tactical

- Cash flow hedging
- Balance sheet & income statement risk management
- Synthetic non-dollar funding
- Netting & pooling

Strategic

- Exposure identification
- Risk management policy formulation
- Hedge program evaluation
- FX as an alternative asset class

Advisory

- Acquisitions
- Net investment hedging
- Foreign asset / liability management
- Currency forecasts, market intelligence, economic research

Contact Us

For more information on how our products and services can help your company meet its global trade and foreign exchange goals, please contact us.

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